

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1469 – HB 1735

May 12, 2016

SUMMARY OF ORIGINAL BILL: Designates the Governor’s Table Restaurant at Henry Horton State Park as a “premier type tourist resort” for purposes of on-premises alcohol consumption.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (015843, 016122): Amendment 015843 adds language to the original bill that designates (1) Lillie Belle’s in Williamson County, (2) Brushy Mountain in Morgan County, and (3) the Saltbox Inn in Putnam County as “premier type tourist resorts” for purposes of on-premises alcohol consumption.

Amendment 016122 adds language to the original bill that updates Tenn. Code Ann. § 57-4-102(26)(D) which designates Laurel Valley Golf Course in Blount County as a “premier type tourist resort” for purposes of on-premises alcohol consumption.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue – \$900/One-Time/ABC Fund
\$6,000/Recurring/ABC Fund
\$24,600/Recurring/General Fund

Increase Local Revenue – \$20,300/Recurring/Permissive

Assumptions for the Governor’s Table Restaurant:

- Public Chapter 428 of 2015 added “an entity that is authorized by the Department of Environment and Conservation to operate a restaurant or other food and beverage service on the premises of a state park” to the list of premier type tourist resorts for purposes of on-premises alcohol consumption; therefore such venue is currently authorized to be licensed as a premier type tourist resort.

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- The Department of Environment and Conservation confirms the fiscal impact relative to the Governor's Table Restaurant will be not significant.

Assumptions for Lillie Belle's:

- Public Chapter 428 of 2015 added "an entity that is authorized by the Department of Environment and Conservation to operate a restaurant or other food and beverage service on the premises of a state park" to the list of premier type tourist resorts for purposes of on-premises alcohol consumption; therefore such venue is currently authorized to be licensed as a premier type tourist resort.
- The Department of Environment and Conservation confirms the fiscal impact will be not significant.
- Lillie Belle's will be required to pay a one-time application fee of \$300 and an annual fee of \$2,000 payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- The permissive recurring increase in local revenue resulting from the local privilege tax is estimated to be \$1,000. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- Based on independent research of this particular venue, alcoholic beverages are currently served on premises by outside vendors, therefore, any impact on liquor-by-the-drink tax or sales tax will be not significant.

Assumptions for Brushy Mountain:

- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,000 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Morgan County is 2.0 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY16-17.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$115,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average

LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.

- Given the size of this particular venue, the recurring increase in sales is estimated to be the average taxable base, or \$115,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$16,384 $[(\$115,000 \times 7.0\%) - (\$115,000 \times 7.0\% \times 3.617\%) + (\$115,000 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$12,216 $[\$1,000 + (\$115,000 \times 2.0\%) + (\$115,000 \times 7.0\% \times 3.617\%) + (\$115,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Assumptions for the Saltbox Inn:

- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,000 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Putnam County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY16-17.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$115,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the smaller nature of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$57,500 $(\$115,000 \times 50\%)$ per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,192 $[(\$57,500 \times 7.0\%) - (\$57,500 \times 7.0\% \times 3.617\%) + (\$57,500 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$7,039 $[\$1,000 + (\$57,500 \times 2.75\%) + (\$57,500 \times 7.0\% \times 3.617\%) + (\$57,500 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

Assumption for Laurel Valley Golf Course:

- Laurel Valley Golf Course is designated as a premier type tourist resort under Tenn. Code Ann. § 57-4-102(26)(D). As a result, the provisions added to the bill by amendment 016122 will continue to allow on-premises consumption of alcohol at the Laurel Valley Golf Course. Any fiscal impact relative to the amendment is estimated to be not significant.

Total Fiscal Impact Assumptions:

- A total estimated increase in one-time state revenue to ABC of \$900 (\$300 + \$300 + \$300).
- A total estimated increase in recurring state revenue to ABC of \$6,000 (\$2,000 + \$2,000 + \$2,000).
- A total estimated increase in recurring state revenue to the General Fund of \$24,576 (\$16,384 + \$8,192).
- A total estimated increase in recurring local revenue of \$20,255 (\$1,000 + \$12,216 + \$7,039).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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